

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi [signature]  
Chief Financial Officer

**DATE:** March 1, 2004

**SUBJECT:** Fiscal Impact Statement: "Approval of Starpower Communications LLC's Open Video System Franchise Act of 2004"

**REFERENCE:** Bill Number 15-722 as Introduced

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**Conclusion**

Funds are sufficient in the FY 2004 through FY 2007 budget and financial plan. Additional resources will not be needed to implement the proposed legislation. The related lease agreement will continue three sources of revenue for the District currently collected under an interim agreement between Starpower and the District of Columbia.

**Background**

The proposed legislation will approve a five-year Open Video System (OVS) franchise agreement between Starpower Communications LLC and the District of Columbia. Starpower has had a presence in the District since 1998. They currently have 30,000+ subscribers in the District. In addition to the 11 percent gross receipts tax, the proposed agreement requires a franchise fee of 5 percent based on gross receipts, 1 percent of gross receipts for the public access corporation fee, and 1 percent of gross receipts for Public, Educational and Governmental (PEG) Capital support fees.

Starpower currently provides their customers with 90 basic channels and 100+ digital channels. Currently the franchise provides the District government two public access channels (channels 10 and 11<sup>1</sup>), two dedicated government channels (channels 13 and 16), one channel dedicated to the District of Columbia Public Schools (channel 18), and

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<sup>1</sup> Comcast Corporation may not have the same channel numbers on their systems.

one channel for the University of the District of Columbia (channel 19). The proposed lease will add two new government channels and ten (plus) digital channels.

The District is one of only a few major cities that have head-to-head competition between cable providers. Others include Boston, New York City, and Denver.

### **Financial Plan Impact**

Under the interim agreement, during FY 2003 Starpower's gross receipts were approximately \$21 million. This resulted in \$1 million in OVS Franchise fees, \$0.2 million in Public Access Corporation fees, and \$0.2<sup>2</sup> million in PEG Capital Support fees. The proposed agreement will continue these revenues at these levels for the five year<sup>3</sup> term of the agreement. The table in Figure 1 presents an approximation of revenue collections if the subscriber population remains static.

<b>Revenue Impact on the Financial Plan</b>				
(\$ in Millions)				
<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>4 -Year Total</b>
<b>\$1.5</b>	<b>\$1.5</b>	<b>\$1.6</b>	<b>\$1.6</b>	<b>\$6.2</b>

<sup>2</sup> Collections for the PEG Capitol Support Fee began in the 2<sup>nd</sup> quarter of FY 2003.

<sup>3</sup> The term of the OVS Franchise Agreement with Comcast Corporation is 10 years.